

## ***Report to the Audit and Governance Committee***



**Epping Forest  
District Council**

**Report reference:** **AGC-016-2017/18**

**Date of meeting:** **5 February 2018**

**Portfolio:** Technology and Support Services

**Subject:** Internal Audit Charter

**Responsible Officer:** Sarah Marsh (01992 564446).

**Democratic Services:** Gary Woodhall (01992 564470).

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### **Recommendations/Decisions Required:**

**(1) The Committee is asked to approve the revised Internal Audit Charter (as attached at Appendix A).**

### **Executive Summary:**

The Chartered Institute of Public Finance and Accountancy (CIPFA) Audit Committee's practical guidance for Local Authorities and Police 2013 edition states that the Audit and Governance Committee (the Committee) should have a role in reviewing and approving the internal audit charter. In addition, the Committee has a role in overseeing the independence, objectivity, performance and professionalism of the Internal Audit service.

The Internal Audit Charter sets out the purpose, authority and responsibility of the internal audit function. This has been revised and minor amendments made to ensure it remains current, fit for purpose and aligned to the Public Sector Internal Audit Standards.

### **Reasons for Proposed Decision:**

The Internal Audit Charter is required by the Public Sector Internal Audit Standards.

### **Other Options for Action:**

No other options

### **Report:**

1. The Internal Audit Charter (the charter) is a formal document that defines Internal Audit's purpose authority and responsibility. The Charter establishes Internal Audit's position in the Council, including the nature of the Chief Internal Auditor's reporting relationships, access to records, personnel and physical properties relevant to the performance of the engagement; and defines the scope of Internal Audit activities. Final approval of the Charter resides with the Audit and Governance Committee.

2. The Public Sector Internal Auditing Standards (PSIAS), which became effective from 1 April 2013, require that the purpose, authority and responsibility of Internal Audit must be formally defined in an internal audit charter, which the Chief Internal Auditor must periodically review and present to senior management and the Audit and Governance Committee for

approval.

3. Following consultations the PSIAS were updated in April 2017. The application of these standards is mandatory and therefore the Internal Audit charter has been updated. The most significant changes to the charter are that it is now more explicit on the mission and principles of the Internal Audit function, ensuring the role of Internal Audit includes risk management and governance, as well as internal controls. It also outlines the safeguards required in order to maintain impartiality and independence, should the Chief Internal Auditor take on additional responsibilities.

4. The charter was due for its annual review in November 2016 but was postponed until February 2017 after the outcomes from the independent External Quality Assessment (EQA) of the Internal Audit function were known. The EQA determined that the Internal Audit function was fully compliant with the Public Sector Internal Audit Standards. Part of the EQA process included a review of the Internal Audit charter and no deficiencies or enhancements were noted by the assessor. As a consequence no changes were made to the charter when reviewed in February 2017.

**Resource Implications:**

No specific implications.

**Legal and Governance Implications:**

The purpose, authority and responsibility of the Internal Audit function must be formally defined in an Internal Audit Charter, as required by the UK Public Sector Internal Audit Standards. The Public Sector Internal Audit Standards are mandatory for all UK Public Sector organisations.

**Safer, Cleaner and Greener Implications:**

No specific implications

**Consultation Undertaken:**

Corporate Governance Group

**Background Papers:**

Public Sector Internal Audit Standards

**Risk Management:**

No direct risk management implications arising from this report.

**Equality Analysis:**

The Equality Act 2010 requires that the Public Sector Equality Duty is actively applied in decision-making. This means that the equality information provided to accompany this report is essential reading for all members involved in the consideration of this report. The equality information is provided at Appendix B to the report.